

Mr. Charles R. Tucker, Administrator
Cherokee County Long Term Care Facility
1434 North Limestone Street
Gaffney, South Carolina 29340

Re: AC# 3-CKC-F6 – Cherokee County d/b/a Cherokee County Long Term Care Facility

Dear Mr. Tucker:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period July 1, 1995 through June 30, 1996. That report was used to set the rate covering the contract periods beginning October 1, 1997.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Mac Carroll

**CHEROKEE COUNTY
D/B/A CHEROKEE COUNTY
LONG TERM CARE FACILITY
GAFFNEY, SOUTH CAROLINA**

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1997
AC# 3-CKC-F6**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIODS BEGINNING OCTOBER 1, 1997	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 1997 THROUGH MARCH 31, 1998	B-1	4
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD APRIL 1, 1998 THROUGH SEPTEMBER 30, 1998	B-2	5
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED JUNE 30, 1996	C	6
ADJUSTMENT REPORT	1	8
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	11

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

February 12, 1999

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Cherokee County d/b/a Cherokee County Long Term Care Facility, for the contract periods beginning October 1, 1997 and for the twelve month cost report period ended June 30, 1996, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Cherokee County d/b/a Cherokee County Long Term Care Facility, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Cherokee County d/b/a Cherokee County Long Term Care Facility dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
February 12, 1999

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

CHEROKEE COUNTY LONG TERM CARE FACILITY

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1997
AC# 3-CKC-F6

	<u>10/01/97- 03/31/98</u>	<u>04/01/98- 09/30/98</u>
Interim reimbursement rate (1)	\$92.30	\$92.64
Adjusted reimbursement rate	<u>90.07</u>	<u>90.07</u>
Decrease in reimbursement rate	\$ <u>2.23</u>	\$ <u>2.57</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 8, 1998

CHEROKEE COUNTY LONG TERM CARE FACILITY
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1997 Through March 31, 1998
AC# 3-CKC-F6

	<u>Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$41.75	\$44.95	
Dietary		11.42	9.74	
Laundry/Housekeeping/Maint.		<u>8.86</u>	<u>7.72</u>	
Subtotal	\$ <u>.38</u>	62.03	62.41	\$62.03
Administration & Med. Rec.	\$ <u>1.92</u>	<u>7.53</u>	<u>9.45</u>	<u>7.53</u>
Subtotal		69.56	\$ <u>71.86</u>	69.56
<u>Costs Not Subject to Standards:</u>				
Utilities		3.10		3.10
Special Services		-		-
Medical Supplies & Oxygen		4.89		4.89
Taxes and Insurance		.36		.36
Legal Fees		<u>.01</u>		<u>.01</u>
TOTAL		\$ <u>77.92</u>		77.92
Inflation Factor (4.40%)				3.43
Cost of Capital				6.47
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				1.92
Cost Incentive				.38
Effect of \$1.75 Cap on Cost/Profit Incentives				(.55)
Minimum Wage Add On				<u>.50</u>
 ADJUSTED REIMBURSEMENT RATE				 \$ <u>90.07</u>

CHEROKEE COUNTY LONG TERM CARE FACILITY
Computation of Adjusted Reimbursement Rate
For the Contract Period April 1, 1998 Through September 30, 1998
AC# 3-CKC-F6

	<u>Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$41.75	\$48.08	
Dietary		11.42	9.74	
Laundry/Housekeeping/Maint.		<u>8.86</u>	<u>7.72</u>	
Subtotal	\$ <u>3.51</u>	62.03	65.54	\$62.03
Administration & Med. Rec.	\$ <u>1.92</u>	<u>7.53</u>	<u>9.45</u>	<u>7.53</u>
Subtotal		69.56	\$ <u>74.99</u>	69.56
<u>Costs Not Subject to Standards:</u>				
Utilities		3.10		3.10
Special Services		-		-
Medical Supplies & Oxygen		4.89		4.89
Taxes and Insurance		.36		.36
Legal Fees		<u>.01</u>		<u>.01</u>
TOTAL		\$ <u>77.92</u>		77.92
Inflation Factor (4.40%)				3.43
Cost of Capital				6.47
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				1.92
Cost Incentive				3.51
Effect of \$1.75 Cap on Cost/Profit Incentives				(3.68)
Minimum Wage Add On				<u>.50</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$90.07</u>

CHEROKEE COUNTY LONG TERM CARE FACILITY
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended June 30, 1996
 AC# 3-CKC-F6

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,298,958	\$ 1,405 (7)	\$ 1,214 (6) 60 (6) 1,745 (9) 4,596 (9)	\$1,292,748
Dietary	329,612	43,498 (7) 261,843 (8)	248 (6) 280,990 (9)	353,715
Laundry	46,088	14,052 (7) 30,151 (8)	16,376 (9)	73,915
Housekeeping	116,098	74,237 (8)	83,747 (9)	106,588
Maintenance	113,397	141,978 (8)	161,620 (9)	93,755
Administration & Medical Records	277,314	86,221 (8)	130,439 (9)	233,096
Utilities	101,735	88,596 (7) 3,300 (8)	1,116 (6) 96,559 (9)	95,956
Special Services	-	-	-	-
Medical Supplies & Oxygen	160,864	-	7,203 (5) 2,196 (9)	151,465
Taxes and Insurance	11,033	9,390 (7) 764 (8)	10,096 (9)	11,091
Legal Fees	471	159 (8)	235 (9)	395

CHEROKEE COUNTY LONG TERM CARE FACILITY
Summary of Costs and Total Patient Days
For the Cost Report Period Ended June 30, 1996
AC# 3-CKC-F6

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	234,699	37,452 (1) 6 (2) 19,573 (8) <u>2,643 (10)</u>	12,306 (3) 25,484 (4) 6,475 (6) <u>49,857 (9)</u>	200,251
Subtotal	2,690,269	815,268	892,562	2,612,975
Ancillary	40,177	7,176 (5)	-	47,353
Non-Allowable	979,490	25,484 (4) 27 (5) 838,456 (9)	37,452 (1) 667 (2) 113,443 (7) 618,226 (8) <u>2,643 (10)</u>	1,071,026
Total Operating Expenses	<u>\$3,709,936</u>	<u>\$1,686,411</u>	<u>\$1,664,993</u>	<u>\$3,731,354</u>
TOTAL PATIENT DAYS	<u>30,965</u>	<u>-</u>	<u>-</u>	<u>30,965</u>

TOTAL BEDS 85

CHEROKEE COUNTY LONG TERM CARE FACILITY
Adjustment Report
Cost Report Period Ended June 30, 1996
AC# 3-CKC-F6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 247,825	
	Cost of Capital	37,452	
	Accumulated Depreciation		\$ 60,117
	Other Equity		187,708
	Nonallowable		37,452
	To adjust fixed assets and related depreciation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Other Investments	319	
	Bonds Payable	73,491	
	Notes Payable	32,882	
	Interest Payable	4	
	Cost of Capital	6	
	Current Portion of Long Term Debt		73,286
	Fund Balance		32,749
	Nonallowable		667
	To adjust debt and related interest to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Fund Balance	131,165	
	Loan Cost		118,859
	Cost of Capital		12,306
	To adjust loan cost and related amortization to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Nonallowable	25,484	
	Cost of Capital		25,484
	To adjust depreciation expense and loan cost amortization to comply with capital cost policy State Plan, Attachment 4.19D		
5	Ancillary	7,176	
	Nonallowable	27	
	Medical Supplies		7,203
	To reclassify expense to the proper cost center HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

CHEROKEE COUNTY LONG TERM CARE FACILITY
Adjustment Report
Cost Report Period Ended June 30, 1996
AC# 3-CKC-F6

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Other Income	9,113	
	Nursing		1,214
	Restorative		60
	Dietary		248
	Utilities		1,116
	Cost of Capital		6,475
	To properly offset income against related expense HIM-15-1, Sections 2102.3 and 2328 State Plan, Attachment 4.19D		
7	Restorative	1,405	
	Dietary	43,498	
	Laundry	14,052	
	Utilities	88,596	
	Taxes and Insurance	9,390	
	Other Income		43,498
	Nonallowable		113,443
	To reverse provider allocation of cost to non-reimbursable cost centers and reverse DH&HS income offset HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
8	Dietary	261,843	
	Laundry	30,151	
	Housekeeping	74,237	
	Maintenance	141,978	
	Administration	86,221	
	Legal	159	
	Utilities	3,300	
	Taxes and Insurance	764	
	Cost of Capital	19,573	
	Nonallowable		618,226
	To reverse DH&HS adjustment to remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

CHEROKEE COUNTY LONG TERM CARE FACILITY
Adjustment Report
Cost Report Period Ended June 30, 1996
AC# 3-CKC-F6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Nonallowable	838,456	
	Nursing		1,745
	Restorative		4,596
	Dietary		280,990
	Laundry		16,376
	Housekeeping		83,747
	Maintenance		161,620
	Administration		130,439
	Legal		235
	Utilities		96,559
	Taxes and Insurance		10,096
	Medical Supplies		2,196
	Cost of Capital		49,857
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
10	Cost of Capital	2,643	
	Nonallowable		2,643
	To adjust capital return to allowable State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$2,181,210</u>	<u>\$2,181,210</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

CHEROKEE COUNTY LONG TERM CARE FACILITY
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended June 30, 1996
AC# 3-CKC-F6

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.1144</u>	<u>2.1144</u>	
Deemed Asset Value (Per Bed)	33,022	33,022	
Number of Beds	<u>44</u>	<u>41</u>	
Deemed Asset Value	1,452,968	1,353,902	
Improvements Since 1981	387,999	62,598	
Accumulated Depreciation at 6/30/96	<u>(706,250)</u>	<u>(279,997)</u>	
Deemed Depreciated Value	1,134,717	1,136,503	
Market Rate of Return	<u>0.070</u>	<u>0.070</u>	
Total Annual Return	79,430	79,555	
Return Applicable to Non-Reimbursable Cost Centers	(14,941)	(17,464)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>249</u>	<u>29,977</u>	
Allowable Annual Return	64,738	92,068	
Depreciation Expense	28,383	79,335	
Amortization Expense	-	3,791	
Capital Related Income Offsets	(1,311)	(16,896)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(5,341)</u>	<u>(44,516)</u>	<u>Total</u>
Allowable Cost of Capital Expense	86,469	113,782	\$200,251
Total Patient Days (Actual)	<u>15,996</u>	<u>14,969</u>	<u>30,965</u>
Cost of Capital Per Diem	\$ <u>5.41</u>	\$ <u>7.60</u>	\$ <u>6.47</u>

CHEROKEE COUNTY LONG TERM CARE FACILITY
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended June 30, 1996
 AC# 3-CKC-F6

6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$1.72	\$N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$5.71</u>	<u>\$7.60</u>
Reimbursable Cost of Capital Per Diem		\$6.47
Cost of Capital Per Diem		<u>6.47</u>
Cost of Capital Per Diem Limitation		\$ <u>-</u>